

## **General Services Customer Council Meeting**

June 23, 2006

### **Members Present**

Charlie Smithson, Ethics & Campaign Disclosure; John Baldwin, Dept. of Corrections; Jennifer St. John, DNR; Marcia Spangler, Public Health; Mary Jane Olney, Agriculture; Jim Chrisinger, DOM; Greg Anliker, Elder Affairs; Peggy Sullivan, Judicial; Bob Straker, AFSCME; Cindy Morton, Revenue; Margaret Thomson, Legislature; John Connors, Member of Public; Paul Carlson, GSE.

### **Members Absent**

Major Darrel Cox – Excused  
Peggy Sullivan - Excused

### **Others Present**

Mollie Anderson, DAS Director; Debbie O’Leary, DAS/GSE; Dale Schroeder, DAS/GSE; Tim Ryburn, DAS/GSE; Dean Ibsen, DAS/GSE; Nancy Williams, DAS/GSE; Tera Harrington, DAS/GSE; Paula Newbrough, DAS/GSE; Barbara Bendon, DAS/GSE D & C; Kathy Shannon, DAS/GSE Fleet; Lana Morrissey, DAS; Deb Madison-Levi, DAS; Laura Riordan, DAS; Julie Sterk, DAS; Patricia Lantz, DAS; Paula Portz, Public Defense; Pat Mullenbach, DAS; Matt Coulter, Voc. Rehab; Susie Madsen, DHS; Jess Benson, LSA; Loraine Chang, PSG

### **Call to Order**

Meeting called to order by Chairperson Charlie Smithson at 9:00 a.m.

### **Roll Call**

Member Roll Call taken by Secretary Nancy Williams.

### **Approve Minutes (May 12, 2006)**

John Connors moved to approve the minutes as submitted. Mary Jane Olney seconded the motion. Motion passed.

### **Announcements**

Paul Carlson introduced Lana Morrissey. Lana is the new DAS/CFO, replacing Denise Sturm.

### **DAS GSE FY 08 Proposed Budget/Rates**

Paul Carlson discussed the document “Basis for FY08 Utility Rate Charges” (copy attached). This document was approved at a recent Customer Council Meeting and is a reiteration of what the Council already approved.

“GSE FY08 Utility Rates – Vacancy Factor and Salary Adjustment” document (copy attached). COO Carlson noted this document indicates the financial impact of both of those items on the overall utility services provided by GSE.

Chairman Smithson asked about bonuses paid to employees in DAS, asking if documentation is subject to the open records. Attorney Patricia Lantz noted job evaluations and performance are confidential personnel documents. Mary Jane Olney advised bonus forms are sent to HRE for approval, noting she did not believe the forms are a part of the personnel file of the employee. Attorney Patricia Lantz will check and advise Chairman Smithson.

“FY08 GSE Utility Rate Summary” (copy attached) was discussed. This document shows the rate in effect for FY07 and then compared that rate to what GSE could otherwise be charging in FY08. This should give the Council a better idea how this will impact their particular agencies. GSE believes this is a lot more meaningful summary because it reflects specific rates as opposed to overall budgets. It provides information that is more relevant to the operation of agencies.

COO Carlson noted GSE was asked to prepare a budget based upon a 4.6% increase, a 6.6% increase and a 2% decrease. You will note the GSE Recommendation column along with the FY08 Savings (the difference between what we would charge based upon the FY07 rate compared to what we will charge based upon the FY08 rate). Page Two of the document shows if GSE charged the same rates in FY08 that it charged in FY07, we would be recovering about \$1.2 million dollars more than we need to run the operation. We are not asking for this money and our rates reflect that. This does not take into account the \$100,904 net between vacancy factor and salary adjustments.

Chairman Smithson referred to Item # 5 – Seat of Government Leasing. The question was, a lease is negotiated for five years, the customer is happy; however, each of the other four years that customer is being charged by GSE for services, what services are you providing in “off negotiation years”? Barbara Bendon advised services include such things as: 1) Monitor square footage usage (do the tracking of this), 2) Answer any questions from the Legislature regarding the leases, 3) We provide data bases to anyone requesting them under the Freedom of Information Act, 4) Reconciliation with the landlord and monitor all costs, i.e. outside repairs, HVAC, etc., 5) Constantly involved in landlord/agency issues. COO Carlson stated the agencies should look at this as a “retainer”, when they want our services; we are one phone call away. We do things for and on behalf of tenants throughout the year that they are not aware of and this fee compensates GSE for that work.

Jim Chrisinger asked for an example of how GSE has been able to lower costs, what kinds of things have you put in place?

Dean Ibsen, Administrator of the Design & Construction Division advised the hourly rate for FY07 is \$117.00 and GSE is proposing \$84.00 an hour in FY08. Dean advised he has been looking very closely at the management and

organizational structure of Design & Construction. As an overview, D & C works on an hourly basis for about twelve agencies with divisions around the State. As D & C works on projects, funding may come from a Capital Appropriation, Major Maintenance Appropriation and in some cases the agencies may have their own funding sources. As D & C works on those projects, it charges for this effort on an hourly basis.

When D & C originally established rates, it made a projection of how much time it would actually bill for services. 75% of 2,080 hours was targeted as the amount of time to be billed per employee. The other 25% was for vacation, sick leave, training, etc. The subsequent rate is based upon the total number of billable hours divided into the total annual budget.

We have talked to some private sector businesses about billable rates, 75% to 80% is their range for billable hours. Administrator's time billable at 25% and one secretary's time billable at 25%.

FY06 – about 1/3 of the D & C budget came from general appropriations, whereas our actual billable rate is about \$92.00, about 1/3 of that comes from the general fund so we had a rate of \$60.22 charged to the projects.

FY07 – there is no general fund appropriation, we are billing all of our time and we came up with a rate of \$116.85, which included shared services costs, accounting costs, etc.

FY08 – we evaluated the funding location of all staff. We have some staff in other budgets, utility budget, vertical infrastructure program, etc., not really being billed. We decided to pool all staff resources, create more billing opportunity, increase the number of billable hours, and thus reduce the billing rate. We are also presuming we need at least three more staff in FY08 since we have \$40 million dollars worth of major maintenance work. This has allowed us to come up with the \$83.84 charge.

COO Carlson stated a private sector model (for architectural and engineering firms) would pool all staff resources into one location and then bill out of the pool. The new rate reflects the result of applying the private sector model. In FY06 and FY07 that wasn't the case, in FY08 that is the case. This will require Dean to more closely scrutinize billing in order to achieve the 75% billable target. When we do that, we increase the number of hours against a fixed cost, thereby lowering the rate.

John Baldwin stated he was pleased with the rate drop noting it was an appropriate response to the issue.

Tim Ryburn – Capitol Complex Maintenance Administrator advised he had been evaluating opportunities to minimize overhead cost, which is the # 1 goal for our team.

For FY08 we have additional square footages to maintain that was not part of the FY07 rate. The new Public Safety Building and the Jessie Parker Building are now included in total square footage.

We also looked at other line items; we have a vehicle depreciation account with an unassigned balance. We evaluated the leases on our “Gators” which have been costing about \$22,000 per year. We utilized the unassigned balance to purchase the Gators, thereby saving about \$22,000 per year. These are the kinds of things we continue to look at.

Dale Schroeder – Fleet Management Administrator advised we were able to positively impact Fleet Management by about \$118,000 in FY08 compared to FY07 in three primary areas: 1) Reducing equipment costs by \$30,000, 2) Reducing IT costs by \$50,000, and 3) Reducing office supply costs.

IT cost is programming for the Fleet Management System to pay bills and track cost. Dale advised about a \$55,000 budget is needed just to support the Fleet Management and the invoice payment process. In FY05, there was a major IT programming “upgrade” expense to move to a six-digit license plate. This expense, along with IT expense to maintain the old system is no longer needed.

The question was asked, “How is the monthly fee determined”? Dale advised the monthly fee is determined by the budget (for Fleet Management) divided by 12, divided by the number of “active” vehicles in the Fleet during a given month. Therefore, it can change if the number of active vehicles goes up or down during the month. The \$13.72 is based upon what we had in the Fleet at the end of April, 2006, which was 2,672 vehicles. We have projected this amount forward into FY08. This is assessed only to agencies that have active/assigned vehicles.

Debbie O’Leary, Service Delivery Administrator, discussed Purchasing rates. Debbie noted that at the last Customer Council meeting, GSE proposed a reduction as a result of rebates. The early rate reduction permits agencies to reduce purchasing fees throughout the fiscal year. The big change in the budget is that we do anticipate we will be receiving rebates and this is included, thus lowering fees.

Risk Management (Dale Schroeder & Kathy Shannon) – we are recommending the monthly fee go from \$17.44 per active vehicle to \$24.00 for an increase of \$210,000.

We ended FY05 with a \$1.7 million dollar fund balance, we felt that was excessive. What you saw in FY06 and FY07 was a deliberate attempt to bring the

fund balance down to where historically we felt it should be – at about \$1.1 million dollars. We reduced rates in FY06 and FY07 by 25%. This last February, we reduced the rate to “zero” for five months. We are going to start out FY07 at \$17.44 per vehicle rate, we are at approximately \$1.4 million dollars in the fund balance – it is bringing the balance down as it was intended to do. We plan to end FY07 at the \$1.1 million dollar fund balance; this is where we want to remain. We need to increase the rates to sustain the balance at the \$1.1 million dollar rate. We reduced rates to agencies totaling \$607,000 in FY06 and FY07. COO Carlson stated the FY08 rate adds back \$210,000 of the \$607,000 which nets out to \$397,000 net gain to the agencies over three years. On the average, for each year during the last three years, we have reduced rates to agencies by \$132,000 per year. In light of all the claims, insurance costs, etc., holding the line and actually reducing the amount to that extent over a three-year period is a very positive accomplishment for Dale & Kathy.

Jim Chrisinger complimented everybody in GSE for all their good work and moved approval of the FY08 rates. Greg Anliker seconded the motion. Roll Call vote taken by Secretary Nancy Williams – all members present affirmed the motion. Motion passed.

Chairman Smithson stated the motion passes; the FY08 utility rates are approved. The customers will be given a 30-day notice period. If no comments from 30-day comment period, the July meeting will be cancelled.

Margaret Thomson made the motion to authorize the Chairperson and Vice-Chairperson to meet with the Chairs and Vice-Chairs of the other Customer Councils to share common concerns with the Department of Administrative Services. John Connors seconded the motion. Chairman Smithson abstained from voting. Voice Vote – Passed.

#### **Possible topics for next meeting**

If you have any topics for the next meeting, please e-mail them to Paul Carlson or Charlie Smithson.

#### **Adjournment**

Meeting adjourned at 9:50 am

Respectfully submitted,  
Nancy Williams, GSE